

propertymark

Commercial Outlook



This report is based on a survey of Propertymark Commercial agents.

Q2

2026

KEY HIGHLIGHTS:

100%

Respondents expect industrial demand to remain steady over the next 12 months

3.75%

Bank of England base rate remained steady in June 2026

50%

Respondents reported rents increased following rent reviews



"Across the year to date, there is no denying that we have seen significant challenges within the wider economy, many of which have had a direct impact on the commercial sector. Ongoing uncertainty within financial markets, alongside changing economic conditions domestically and continued pressure on businesses, have all contributed to creating a degree of caution around investment and future development.

"That said, despite these challenges, we are continuing to see positive results and meaningful progress across several town and city centre investment programmes. There are encouraging examples of areas that were previously considered tired, underutilised or time-expired being transformed through targeted investment and regeneration.

"A key part of this progress is the development of new and contemporary commercial space that is better suited to the needs of today's businesses and consumers. Modern developments are increasingly being designed with flexibility, accessibility, and sustainability in mind, helping to create spaces that can adapt to changing requirements rather than becoming outdated relatively quickly.



Michael Sears
Commercial Advisory
Panel Member
and Propertymark
Board Member

“Looking ahead, there is strong ambition over the coming years to regenerate and reimagine older developments, transforming them into vibrant, contemporary and commercially viable destinations. This is particularly important as the role of town and city centres continues to evolve.

“Newer developments tend to incorporate a much more connected approach, ensuring that retail, leisure, health, education, residential and transport infrastructure complement one another more effectively.

“Ultimately, while economic uncertainty continues to present challenges for the commercial property sector, there remains considerable opportunity. Well-planned investment, alongside a willingness to rethink how commercial space is used, can play an important role in revitalising the sector.”

Michael Sears
Commercial Advisory
Panel Member
and Propertymark
Board Member



Nathan Emerson
Propertymark CEO

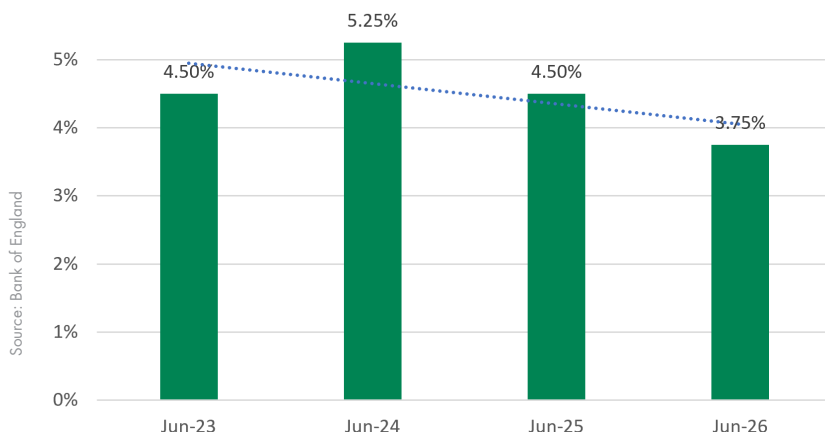
“There is little disputing that the year has played out significantly differently from how many people may have initially projected back in January. A combination of economic uncertainty, changing market conditions and ongoing global unrest has influenced decision-making across the commercial sector, with businesses, investors and developers having to continually reassess their plans in response to an increasingly changeable financial environment.

“Whereas future planning ambitions remain very much alive, the environment in which investment decisions are being made has become considerably more complex. Investors, developers and businesses are understandably taking a more measured approach currently, ensuring that the progression of projects is fully supported by robust evidence, realistic financial modelling, and a clear understanding of potential demand.

“Whilst it might be disappointing to see a decline in certain traditional commercial segments, such as demand for pubs and restaurants, the sector remains responsive to ongoing changes in habits and continues to build out an offering that matches both the needs and ambitions of future generations. While some established formats may face continued pressure, there remains considerable opportunity for new concepts, experiences and uses to emerge, helping to ensure that commercial spaces remain relevant, sustainable, and attractive for the future.”

Economic outlook

Figure 1: Bank of England base rate



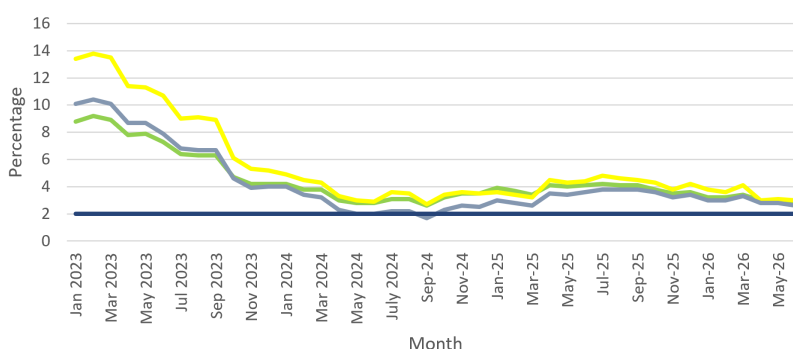
BASE RATE REMAINS STEADY AT 3.75%

The Bank of England base rate stood at 3.75% throughout June 2026 (Figure 1), which provides a key indicator of the prevailing monetary policy environment. Its level continued to shape expectations across the property market, with the cost of borrowing playing a significant role in investment decisions, property transactions, and wider market confidence.

INFLATION STOOD AT 2.6% IN JUNE 2026

In June 2026, inflation stood at 2.6%, remaining above the Bank of England's 2% target. Although this represents a relatively modest level of inflation, the continued overshoot highlights that price pressures remain within the UK economy. The persistence of inflation above target also has implications for potential investment, business operating costs and borrowing conditions, with these factors continuing to influence wider economic confidence and decision-making.

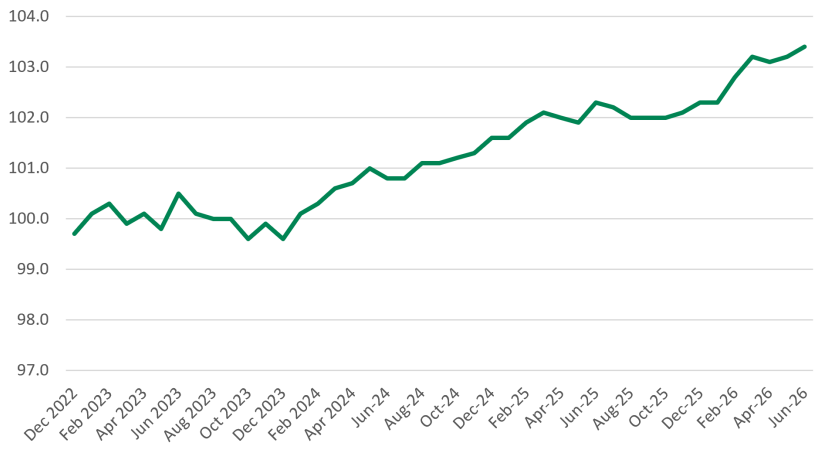
Figure 2: Inflation percentage change



GDP SEES FURTHER GROWTH

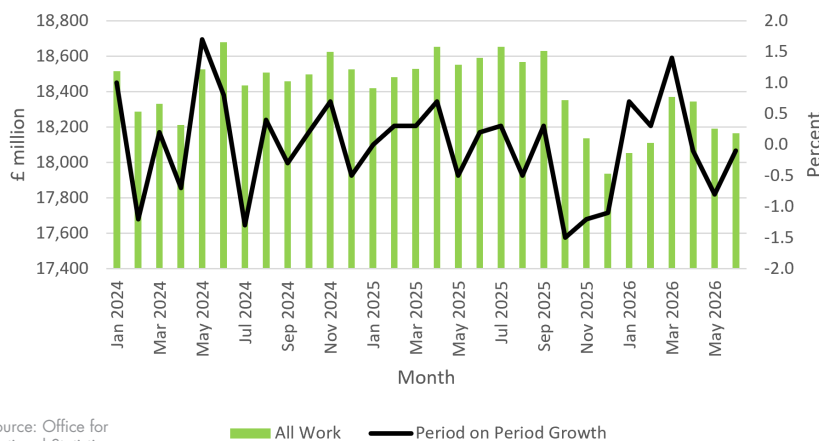
Using the latest available figures, UK GDP recorded a marginal increase in June 2026, indicating modest growth in overall economic output (Figure 3). While this suggests some positive movement in economic activity, the limited scale of the increase points to a relatively subdued growth environment.

Figure 3: UK GDP



Source: Office for National Statistics

Figure 4: Construction output all work summary



Source: Office for National Statistics

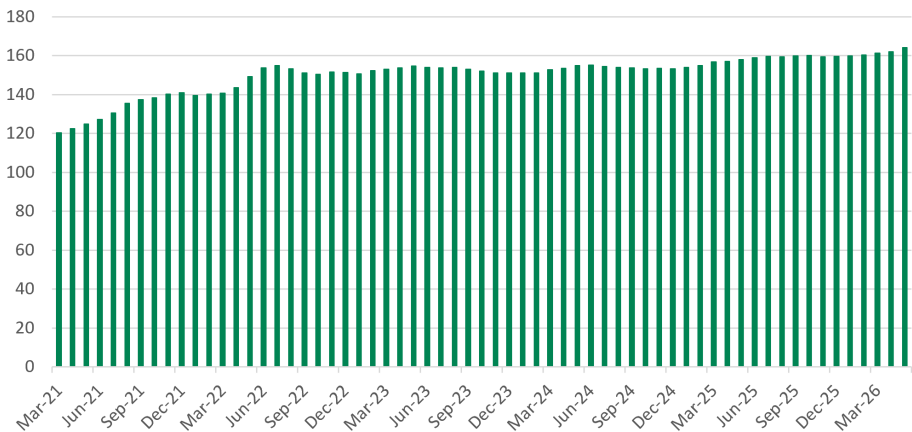
CONSTRUCTION SECTOR OUTPUT PRICE DATA SHOWS VARIATION

Using the latest available data, monthly construction output price indices presented a mixed picture during the second quarter of 2026. This suggests that cost pressures across the construction sector continued to vary, reflecting differences in material prices, labour costs and wider market conditions.

CONSTRUCTION MATERIAL PRICES CONTINUE TO BE STABLE

The construction materials price index indicates a broadly stable long-term trend heading towards the end of June 2026 (Figure 5). This suggests that, despite fluctuations in individual material costs over the period, overall construction material prices have remained relatively consistent.

Figure 5: Construction material price index



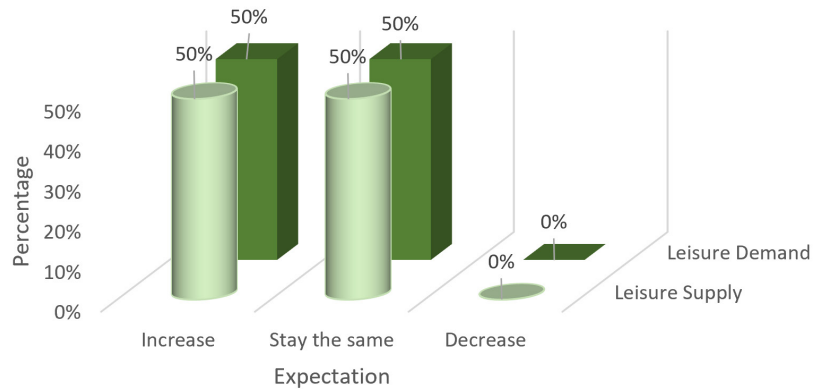
Source: Department for Business and Trade

Supply and demand

LEISURE SECTOR

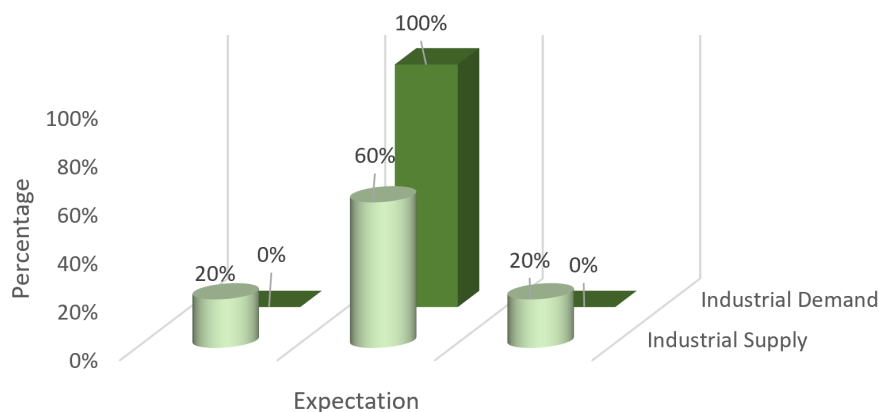
We asked our members what they expect to happen to supply and demand levels within the leisure sector over the next 12 months. The responses suggest a broadly positive outlook, with half (50%) forecasting an increase in supply and the same proportion (50%) anticipating that demand could also rise over the period (Figure 6).

Figure 6: 12-Month Supply and Demand Forecast



Source: Propertymark

Figure 7: 12-Month Supply and Demand Forecast



Source: Propertymark

INDUSTRIAL SECTOR

We also asked our members what they expect to happen to supply and demand levels within the industrial sector over the next 12 months. The responses indicate a relatively stable outlook for the sector, particularly in relation to demand. While 20% of respondents forecast an increase in supply, all respondents (100%) expect demand within the industrial sector to remain steady over the coming year (Figure 7).

ALL SECTORS

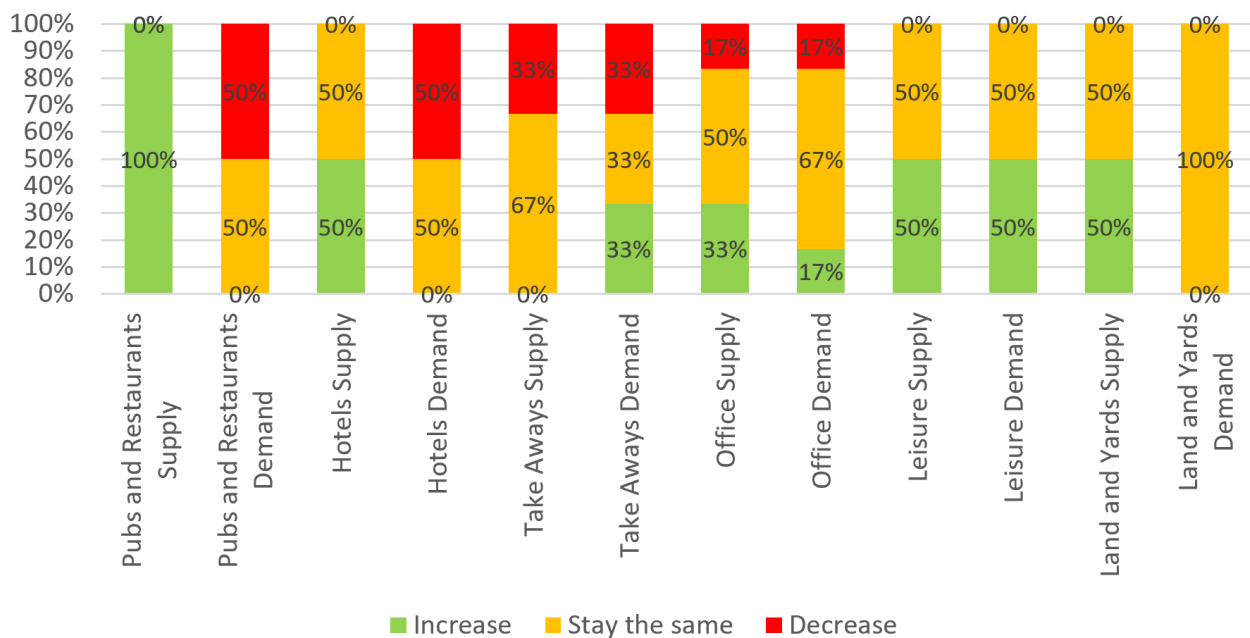
Supply and demand expectations continue to show variation on a quarterly basis across the different sectors in which our members operate (Figure 8). The latest findings highlight differing levels of confidence around the future availability of property and premises, with expectations for increased supply particularly evident in parts of the hospitality and leisure market.

Within the Pubs and Restaurants sector, 100% of agents surveyed forecast that supply will increase over the coming period.

In the Hotels sector, 50% of agents forecast an increase in supply.

Meanwhile, within the Office sector, 33% of agents forecast that supply will increase. While this represents a smaller proportion than in the other sectors highlighted, it nevertheless indicates that a proportion of members expect further properties to come onto the market.

Figure 8: 12-Month Supply and Demand Forecast (All Sectors)



Source: Propertymark

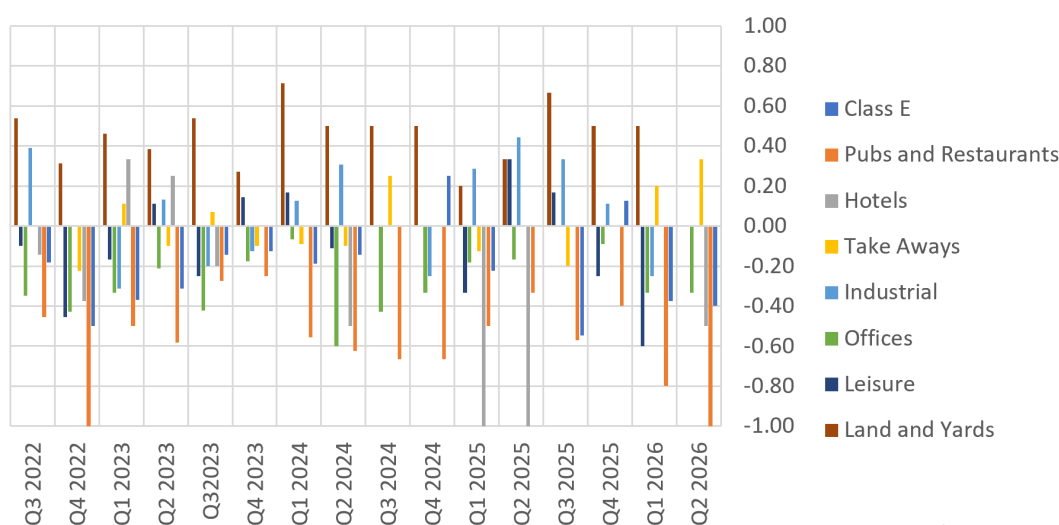
Capital values

ALL SECTORS

We asked our members whether they expect capital values to increase, decrease, or stay the same over the next year within each of the sectors in which they operate. Their responses are converted to a numeric scale bounded by -1 and 1, reported below. Positive values indicate that most respondents expect capital values to rise or remain the same over the next year. Negative values indicate that most respondents expect capital values to fall or remain the same.*

Sentiment within the Takeaways Sector remains positive. In contrast, sentiment across the Pubs and Restaurants Sector remains negative, reflecting a longer-running trend of subdued expectations within a sector that continues to face significant operational challenges in many cases.

Figure 9: Capital value expectations over the next 12 months (all sectors)



Source: Propertymark

* The same methodology is adopted for our insights into rent levels and net yields.

Rent levels

ALL SECTORS

We also asked our members about their expectations for rent levels over the coming 12 months. The responses indicate that members continue to anticipate challenges across all sectors, with rental levels remaining an area of concern for businesses and property operators.

The findings suggest that there is limited expectation of favourable movement in rents across all sectors surveyed. Continued pressure on operating costs, affordability and wider market conditions may all contribute to uncertainty around rental levels over the year ahead. (Figure 10).

Figure 10: Rent level expectations over the next 12 months (all sectors)



Source: Propertymark

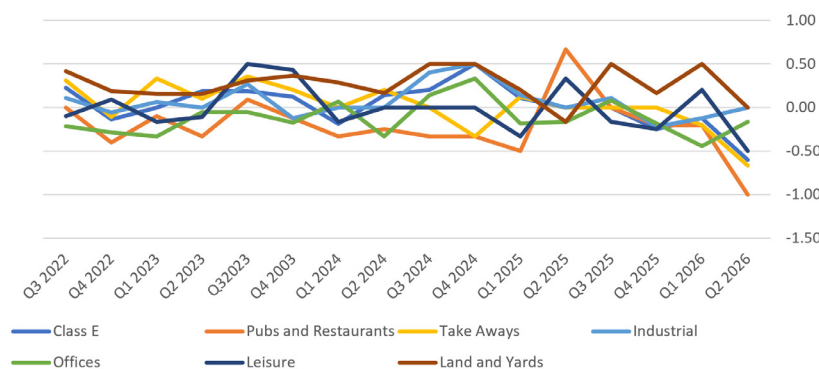
Investment yields

ALL SECTORS

Expectations for investment yields over the coming 12 months vary across the different sectors, with sentiment continuing to shift as members assess the outlook for commercial property investment. In particular, the Industrial and Office sectors have both seen an upward movement in sentiment, suggesting growing confidence around the potential direction of investment yields in these areas (Figure 11).

The improvement in sentiment within these sectors may reflect changing expectations around market conditions, investor demand and the wider economic environment. However, the variation between sectors highlights that the outlook remains uneven, with investors continuing to assess opportunities and risks on a sector-by-sector basis.

Figure 11: Trends in investment yield sentiment (all sectors)

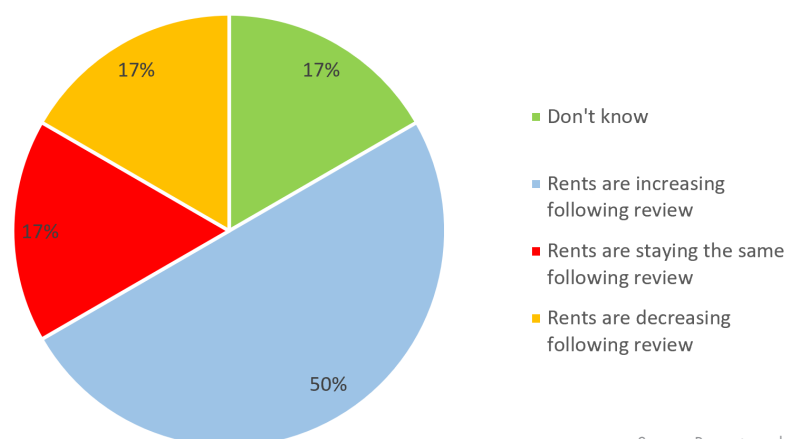


Source: Propertymark

Rent reviews

We asked our members about the outcomes of rent reviews undertaken during Q2 2026. The responses indicate a mixed picture, although the overall direction of movement was weighted towards increases in rents. Half (50%) of respondents reported that rents increased following a review, while 17% reported that rents remained unchanged. A further 17% of members said that rents decreased following the review (Figure 12).

Figure 12: The outcome of rent reviews undertaken in Q2, 2026



Source: Propertymark

Key challenges

Each quarter we ask our members to highlight the biggest challenges they face operating within the sector.

Finding long-term tenants who are successful and letting office space.

Securing tenants and obtaining staff due to employment laws, resulting in a preference for employing only self-employed people or consultants.

Lack of certainty in the market and a severe shortage of business investment. The stranglehold of private equity (PE) across all sectors of business is also creating more complicated structures and leaving landlords vulnerable.

Member insight

Government regulations are making it much harder to run a business.

TAKE THE NEXT STEP

The views and figures in this Propertymark Commercial Outlook refer to the UK. Specific geographic locations and markets (city centre/suburban/etc.) will vary. We strongly recommend

you contact a Propertymark commercial agent in your area to discuss opportunities that suit you. You can find your local agent at propertymark.co.uk/find-an-expert

There are several reasons why you should use a Propertymark commercial agent over any other:

INTEGRITY

As members of Propertymark, our agents have a proven dedication to professionalism within the commercial property sector.

CUSTOMER PROTECTION

Propertymark regulated its member agents. This is a nationally recognised regulatory brand and provides high standards of service.

COMPLIANCE

Our members have access to the latest legal and best practice guidance.

ENDS

ABOUT THE PROPERTYMARK COMMERCIAL OUTLOOK

This report is based on a survey of Propertymark's commercial agents. It is supplemented with an analysis conducted by Propertymark of key statistics relevant to the commercial property market.

ABOUT PROPERTYMARK

Propertymark is a leading professional body comprising commercial and other property sector agents. We are member-led with a Board of practising agents, and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

The Commercial division of Propertymark represents members who practice from over 650 offices and aims to reassure the public that by appointing a Propertymark Protected agent to represent them, they will be safeguarded and receive the highest level of integrity and service for all property matters.



EDITOR NOTES

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